Newfoundland Labrador

Department of Finance

Government Money Purchase Pension Plan Committee

2015 Activity Report

June 2016

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Government Money Purchase Pension Plan
Administration Committee
P.O. Box 8700
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Honourable Cathy Bennett
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Bennett:

As the Chair of the Committee responsible for the Government Money Purchase Pension Plan (GMPP), I hereby submit the 2015 Activity Report for the Committee. The report was prepared under the committee's direction and the committee is accountable for the results contained herein.

The GMPP Committee's mandate is to administer the GMPP, including the setting of investment policy, the recommendation for appointment of an administrator/custodian and the monitoring of plan performance.

The GMPP is a capital accumulation plan, that is, the level of benefits provided at retirement are dependent on the contributions and the income earned on those contributions during an employee's career. It is critical that participating employees become actively engaged in the management of their respective plan assets in order to ensure security in retirement and is the key strategic issue for the GMPP Committee. Plan members have been reluctant to make any investment choice, and instead are allowing their funds to be directed to the low risk, low return default investment. Employees should be aware of both the potential risks and rewards of making an active decision and the possible impact of their return goals.

This annual report outlines the activities of the GMPP Committee and the growth in assets and membership during 2015. It represents the second report on activities identified in the Committee's 2014-2016 Activity Plan, as tabled in the House of Assembly on March 31, 2015.

I am pleased to submit the 2015 Annual Activity Report for your consideration.

Yours sincerely,

Denise Hanrahan
Chair of the GMPP Committee

OVERVIEW

The GMPP provides pension coverage for part time employees of government and its agencies and employees of government funded organizations that are ineligible to participate in any of the other government sponsored pension plans. The GMPP Committee was established by the Lieutenant-Governor in Council to oversee the operations of the Government Money Purchase Pension Plan. Employer representatives are appointed by virtue of their positions in government, while employee representatives are appointed based on the recommendation of the various unions. Committee members are responsible to ensure that contributions accumulated to the credit of the employee are invested prudently in the investment classes prescribed by the Committee and to promote the plan and educate employees on the importance of taking an active interest in their investments.

Government Money Purchase Pension Plan Committee Members
(As of December 31, 2015)

Government and Employer Representatives:	
Denise Hanrahan	Assistant Deputy Minister, Financial Planning and Benefit Administration, Department of Finance
Maureen McCarthy	Director, Pensions Finance, Department of Finance
Vacant	Manager, Pension Benefits, Department of Finance
Brian Shortall	Executive Director, Newfoundland and Labrador School Board Association
Vacant	Eastern Health Authority
Vacant	Director, Human Resources, Policy and Planning, Human Resource Secretariat
Michael Rickert, Secretary	Departmental Program Coordinator, Human Resource Secretariat
Employee Representatives:	
Bert Blundon	Newfoundland and Labrador Association of Public and Private Employees
Miriam Sheppard	Newfoundland and Labrador Teachers' Association
Pamela Toope	Association of Allied Health Professionals
Dawn Learning	National Representative, Canadian Union of Public Employees
Debbie Forward	Newfoundland and Labrador Nurses' Union

The retirement security of a GMPP member depends on the member's investment decision, which in turn depends on the member's investment profile and risk tolerance. Consequently, it is critical that members take an active interest in their portfolio. To facilitate prudent investment decisions by members, the Committee has established and implemented a Statement of Investment Policies and Procedures which specifies the investment options to be provided to members. These options include Guaranteed Investment Accounts (GIAs) and market based funds, including an equity fund, a bond fund, a global equity fund and a balanced fund.

To assist in fulfilling its mandate to educate plan members, the Committee has retained the services of Great West Life Assurance Company (GWL) who fulfills the roles of both the custodian and administrator of the GMPP. The Committee also retains an investment consultant, Russell Investments, to assist in the design, implementation, and ongoing evaluation of all aspects of the pension investment program.

Phillips, Hager & North Investment Management Limited (PH&N) has been retained to manage all market based investment products and Morneau Shepell, on an as needed basis, provides advice on various pension issues relating to compliance with pension legislation and the *Income Tax Act*.

MANDATE

Pursuant to section 12.1 of the Government Money Purchase Pension Plan Act, the GMPP Committee is established by the Lieutenant Governor in Council and mandated to administer the GMPP. The mandate is delivered by completing the following activities:

- Development, implementation and review of investment alternatives to provide plan members with the ability to make an active investment decision with respect to their accumulated funds
- Promotion of the plan and education of plan members on the importance of taking an active interest in their investments
- Oversight of investment options to ensure that contributions accumulated to the credit of plan members are invested prudently in the investment classes prescribed by the Committee
- Oversight of the services provided by the Record Keeper and the performance of the Investment Manager

VALUES

Under the GMPP, the level of benefits provided at retirement is dependent on the contributions and the income earned on those contributions during an employee's career. It is therefore critical that participating employees become actively engaged in the management of their respective plan assets in order to ensure security in retirement. The GMPP Committee has therefore established the following principle value that guides the work of its members:

Self Determination: All plan members have a right to make or not to make an active investment decision with respect to their accumulated funds.

PRIMARY CLIENTS AND STAKEHOLDERS

The primary clients for the GMPP Committee are the employees who participate in the plan. The stakeholders for the GMPP Committee are the Minister of Finance as Trustee, the 51 participating employers and the unions which represent the participating employees.

VISION

The vision of the GMPP Committee is the maximization of the amount of pension funds available at retirement for all participating employees.

KEY STATISTICS

Administration Costs - December 31, 2015

	2015	2014
Investment Management Costs (PH&N)	$ 341,819	$ 325,131
Russell Investments	15,820	21,280
Annual Pension Plan Registration	7,500	7,500
Support Staff	0*	0*
Total Administration Costs	$ 365,139	$ 353,911

* There were no support costs incurred in 2015 as the individual was re-assigned to another position in a temporary capacity.

Since the inception of the GMPP in 1989, actuarial consulting and support staff costs have been paid from employer contributions that are forfeited when members who are not vested terminate from the plan and take a refund of their contributions. The balance in the forfeitures account was $2,129,843.54 as of December 31, 2015 as compared with $1,194,078 as of December 31, 2014.

Investment management fees for Philips Hager & North, which are based on a percentage of the total plan assets which they manage, are paid by the plan member from their investment earnings.

Membership Status

Plan membership has increased from 33,044 accounts in 2014 to 33,940 accounts in 2015. The number of accounts includes both active participants and terminated employees who have left their funds on deposit with GWL. Of the total number of accounts, 13,214 are members who contributed during 2015. Efforts are continuously on-going to contact many of the account holders to advise them of their transfer options should they wish to move their funds from the plan. The following table details the change in membership from 2014 to 2015.

	2015	2014
Membership, January 1	33,044	31,919
Additions		
Enrolments during the year	2,947	2,876
Less: Exits		
Terminations	1,908	1,613
Death Benefits	24	30
Retirements	119	108
	2,051	1,751
Membership, December 31	**33,940**	**33,044**

FINANCIAL HIGHLIGHTS

Market Value

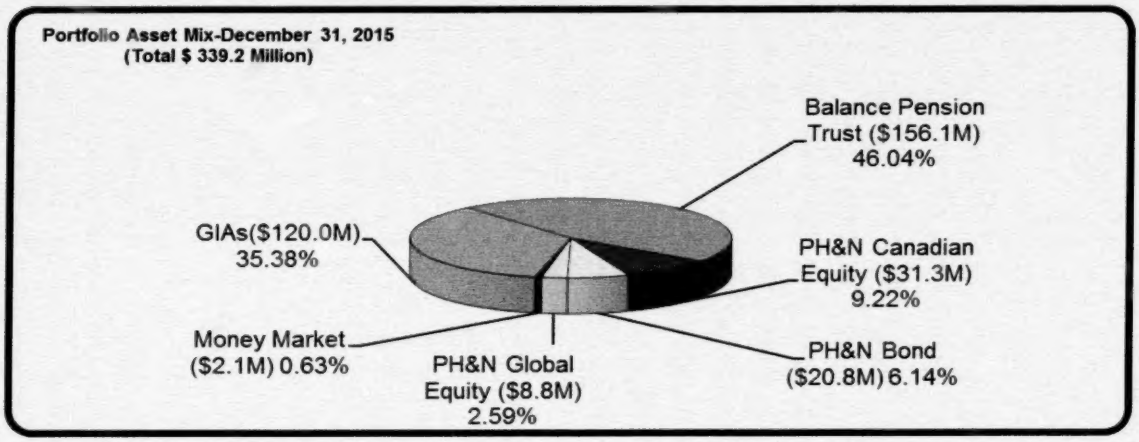
Employee contributions for the year totalled $14.58 million of which $282,930 were Additional Voluntary Contributions (AVC's) and $1,024,220 were transfers from other pension plans. Plan members may deposit AVC's to the plan, subject to RRSP limitations under the *Income Tax Act*. These AVC's are not matched by the employer. Employer contributions for the year totalled $14.3 million and investment income was $8.3 million. Statement of changes in Assets for the year ended December 31, 2015 is shown below:

Statement of Changes in Assets for the Year Ended December 31
(Market Value)

	2015 ($Millions)	2014 ($Millions)
Opening Balance, January 1	**$329.4**	**302.2**
Contributions to the Plan	28.9	27.7
Investment Income	8.3	23.3
Total Additions	**37.2**	**51.0**
Refunds to Terminating Plan Members	28.4	23.8
Administration Costs	0.0	0.0
Total Deductions	**28.4**	**23.8**
Net change in assets	9.8	27.2
Market Value, December 31	**$ 339.2**	**$ 329.4**

Portfolio Asset Mix

Based on the asset decisions of plan members and the direction of the employer's share to the balanced fund, the asset mix of the portfolio as of December 31, 2015 is illustrated in the following chart:


Portfolio Asset Mix-December 31, 2015
(Total $ 339.2 Million)
Balance Pension Trust ($156.1M) 46.04%
GIAs($120.0M) 35.38%
PH&N Canadian Equity ($31.3M) 9.22%
Money Market ($2.1M) 0.63%
PH&N Global Equity ($8.8M) 2.59%
PH&N Bond ($20.8M) 6.14%

Investment Performance as of December 31, 2015

The following table details the performance of the GMPP market based funds to December 31, 2015:

Government Money Purchase Pension Plan (GMPP)
Summary of Investment Returns as at December 31, 2014
with Benchmark comparisons

Investment Options	Three Months %	One Year %	Four Years Annualized % P.A	Ten Years Annualized % P.A
Balanced Pension Trust	2.95	5.73	10.33	5.88
Benchmark*	2.52	3.58	8.42	5.45
Canadian Equity Fund	-1.20	-6.83	8.44	4.59
S&P/TSX Composite Index	-1.40	-8.32	5.26	4.38
Bond Fund	1.0	3.84	4.06	5.41
FTSE TMX Canada Universe Bond Index	0.98	3.52	3.62	5.03
Global Equity Fund	10.18	24.86	22.16	7.10
MSCI World ex Canada Index	9.31	18.89	20.30	6.77

* BPT Benchmark Weighting: 2% FTSE TMX Canada 30-Day T-Bill, 30% FTSE TMX Canada Universe Bond Index, 30% S&P/TSX Capped Composite Index, 26% MSCI World Net Index (CAD) and 4% MSCI Emerging Market Index Net (CAD)

** PH&N Calculated

Note: All performance data is shown on a gross or "pre-fee" basis.

2014 OBJECTIVE AND RESULTS

The GMPP Committee is mandated to assist the Minister of Finance with the administration of the Government Money Purchase Pension Plan and provide recommendations on matters referred to them by the Minister. Additionally, the GMPP Committee is responsible for assisting pension plan members in their decisions related to the allocation of employee and employer contributions to a variety of investment vehicles, for the purpose of achieving the maximum accumulation of benefits at retirement. In its 2014-16 Activity Plan, the GMPP Committee established an annual objective based upon these responsibilities. The following is therefore a summary of the Committee's mandated work, as of December 31, 2015.

Objective: By December 31, 2015 the GMPP will have advised the responsible Minister on the administration of the Government Money Purchase Pension Plan.

Measure: Advised responsible Minister

Indicators and Summary of Results:

- *Developed, implemented and/or reviewed investment alternatives to provide plan members with the ability to make an active investment decision with respect to their accumulated funds*

  During the 2015 Fiscal Year, GWL provided the GMPP Committee members with information on target date funds which provide for portfolio redistribution based on a plan member's age and years to retirement. The Committee discussed the option in the context of whether such funds should be provided as an option or a default investment, but has yet to make a final decision. Target date funds would automatically adjust the asset mix of a plan member's portfolio based on their age and expected retirement date. These funds are premised on the notion that younger employees could take on more investment risk and gradually shift to a more conservative approach as they age.

- *Promoted the plan and educated plan members on the importance of taking an active interest in their investments*

  During 2015, live webinars were provided to interested plan members about specific tools to assist in investment selection. Additionally, in-person sessions were delivered, which had a combined attendance of 80 members. To accommodate the work schedules of plan members, the information sessions and webinars were provided at various times during and after normal work hours. Additionally, members were provided incentives to encourage attendance and participation in these sessions.

  During 2015, plan members were also given the opportunity to meet one-on-one with a GWL representative or an official from the Human Resource Secretariat.

  Members can also obtain information about their investment options by accessing the Group Retirement Service website provided by GWL. The average monthly utilization rate of this website increased by 25 members from the previous year. GWL notes that

GMPP members have an above average utilization of the website and appear to be actively engaged with the program.

- *Oversight of investment options to ensure that contributions accumulated to the credit of plan members are invested prudently in the investment classes prescribed by the Committee*

  During 2015, employees availed of all the options prescribed by the Committee, however there was no significant change in the overall distribution of assets. The Committee will continue to encourage members to take an active interest in asset selection.

- *Oversight of the services provided by the Record Keeper and the performance of the Investment Manager*

  During 2015, meetings were held with both GWL, the plan administrator and Phillips, Hager, North Investment Counsel, the investment manager for the market based funds. GWL continues to provide quality custodial and administrative services. Phillips, Hager, North Investment Counsel's investment performance in the various asset classes continues to meet or exceed the benchmark established for the various asset classes.

- *When requested, provided recommendations to the responsible Minister on matters referred to the Committee*

  The Committee did not receive a specific request from the Minister of Finance to provide recommendations on matters related to the administration of the Government Money Purchase Pension Plan.

2015 OBJECTIVE

As indicated in its 2014-16 Activity Plan, the 2016 annual objective for the GMPP is as follows:

Objective: By December 31 2016 the GMPP will have advised the responsible Minister on the administration of the Government Money Purchase Pension Plan.

Measure: Advised responsible Minister

Indicators:

- Developed, implemented and/or reviewed investment alternatives to provide plan members with the ability to make an active investment decision with respect to their accumulated funds
- Promoted the plan and educated plan members on the importance of taking an active interest in their investments

- Oversight of investment options to ensure that contributions accumulated to the credit of plan members are invested prudently in the investment classes prescribed by the Committee
- Oversight of the services provided by the Record Keeper and the performance of the Investment Manager
- When requested, provided recommendations to the responsible Minister on matters referred to the Committee

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